

Key Metrics Help British Airways Save Nearly £38 Million with Transformational Online Programs

Executive Summary

CUSTOMER NAME

British Airways plc

INDUSTRY

Transportation

BUSINESS CHALLENGES

- Reduced business in the wake of airline industry crisis following Sept. 11, 2001
- Planned transition to “streamlined back-office processes” and “reducing complexity” at new Heathrow Terminal 5, opening 2008
- Weakened ROI and margins

SOLUTIONS

- Develop methodology to calculate the Employee Self Service program benefits realized in cash for British Airways
- Construct “derived” or “inferential” metrics based on transformational targets to drive behavior and culture change

BUSINESS RESULTS

- Cumulative savings of £38 million by March 2006
- Increased efficiency through the rapid adoption of new ways of working, including: electronic payslips, online training, and staff-travel bookings
- Widespread change to an employee “self-service” online culture

British Airways (BA) had begun transitioning employee processes online when the events of Sept. 11 tipped the airline industry as a whole toward financial crisis. To help ensure a strong and lasting recovery, British Airways decided to pursue a more methodical approach to online employee self-service with the goal of achieving greater savings. The airline also developed a robust, reliable set of metrics to accelerate change and monitor progress regarding its transformational goals.

BUSINESS CHALLENGES

British Airways is on record as one of the world’s most profitable airlines, with a pre-tax profit of £620 million in 2005-06. Five years earlier, however, BA was struggling to mitigate the impact of the Sept. 11 terrorist attacks, facing competitive threats from low-cost operators and sky-rocketing fuel costs.

Across the company, BA was committed to four overarching corporate priorities:

- Achieve 10 percent ROI on operating capital
- Reduce and right-size global employee headcount
- Transition to increased efficiency through the rapid adoption of new ways of working at Heathrow Terminal 5 in April 2008
- Enablement through online technologies



Prepared by Cisco
Internet Business Solutions Group

“The computer has revolutionized the way everyone at British Airways works. One of the highlights is employee self-service—or ESS—which is now used by 97 percent of our staff across the globe. It has helped us save an incredible £38 million in administration costs purely by cutting out the old paper- and telephone-based systems in our drive to simplify the business and cut our costs.”

Willie Walsh, CEO, British Airways

In early 2000, BA developed its first eWorking strategy. The initiative came a few months after a formative meeting between BA executive board members and John Chambers, president and CEO of [Cisco](#)[®]. While the company realized clear gains in certain areas, such as rostering and procurement, additional changes were required to remain competitive in the post-9/11 business environment. The [Cisco Internet Business Solutions Group \(IBSG\)](#) helped BA to accelerate its “eWorking” program, a series of initiatives aimed at bringing various processes on-line.

Willie Walsh, chief executive officer at BA said in *BA News* in February 2006: “The computer has revolutionized the way everyone at British Airways works. One of the reasons is down to employee self-service—or ESS—which is now used by 97 percent of our staff across the globe. It has helped us save an incredible £38 million in administration costs purely by cutting out the old paper- and telephone-based systems in our drive to simplify the business and cut our costs.”

SOLUTIONS

In 2003, British Airways made a strategic switch from the general notion of “eWorking” to a more definitive methodology through its Employee Self Service program. Its broad aims were to create a self-service, self-informing culture for all employees, with a radical simplification of back-office administration; to remove duplicate channels and eliminate paper forms; and, crucially, to attain cumulative target savings of £50 million by the end of March 2007, with £32 million a year of ongoing financial benefits thereafter.

The airline pinpointed a number of areas for improved efficiency, including staff administration; online training; internal service centers, such as help desks; staff-travel bookings for business and personal reasons; information management regarding procurement and capital expenditures; and employee communications. Yet it was not enough to specify a set of objectives. What was needed was a detailed, reliable way to measure and monitor progress—and then to use those very metrics to accelerate change.

The first step was to develop an effective governance framework composed of two tiers: one tier with five BA board-level directors and an operational level with eight departmental general managers.

Through the governance committee, BA developed a rigorous set of metrics to calculate the accumulation of benefits realized in hard cash, along with a set of “derived,” or “inferential,” metrics—such as the percentage of staff booking personal travel online—that link to the transformational targets.

The transformational targets chosen for the ESS program needed to generate quantifiable savings, or efficiency gains, or preferably both. The governance committee outlined the following targets to be achieved by 2005:

- Eighty percent of employee self-service online
- All information available online, 24/7
- Never train offline when online meets the need
- No duplicated or paper processes

Some of these targets generated savings in their own right. Online training, for example, freed up classrooms and trainers, while on-line pay slips has reduced administrative costs.

“The Employee Self Service (ESS) program is aimed at making it easier and more effective for BA people to carry out many of their daily administrative tasks online” recalls Bill Francis, former ESS program manager, now head of resourcing and skills, Information Management at BA. “We focused on the IT and business-change projects that enabled us to achieve our transformational targets, driving simplification, a new self-service culture, and delivering hard business-case benefits.”

The metrics are published online in an easy-to-read dashboard, updated monthly, showing percentages of online adoption of staff training, travel-booking, fault reporting, and payroll-related processes. Also highlighted were running totals for ESS satisfaction levels and rates of adoption, which spurred friendly competition among managers to improve their respective departmental scores.

ESS program manager Allen Huish extended this approach to drive the program forward. “One way we generated new targets was by working with people at all levels across the organization to gain clear buy-in and to ensure the aims of the program matched and supported the business plan in every department, asking: ‘What is it you’re trying to do? It’s a virtuous circle— or should be, if you get it right.’”

“We focused on the IT and business-change projects that enabled us to achieve our transformational targets, driving simplification, a new self-service culture, and delivering hard business-case benefits.”

**Bill Francis, head of resourcing and skills,
Information Management, British Airways**

BUSINESS RESULTS

By March 2006, BA’s ESS program had generated £38million in savings for the company—well ahead of the estimate for this point in time. Expecting more benefits to be driven by the second phase in March 2007, the cumulative savings could exceed the original target of £50 million.

BA has effectively transitioned employees to online processes and thus closed many of its internal helpdesks. In March 2006, 70 percent of employees had used online learning. Additionally, more than 90 percent of BA staff connected to ESS during that month. Eighty percent of

employees had an electronic payslip, accessing the information over the Internet from home or remotely; the company intranet was getting 6.5 million page views a month and people management activities, e.g. recording of absence and maternity leave requests, were being managed online. In late July, more than 21,700 employees used employee self-service in one day.

“Making the targets specific, measurable, and achievable has allowed us to turn our vision into practical reality for our people. In measuring the things you want to change, you drive clear action and accountability. This has enabled us to make a significant contribution to the business plan.

Allen Huish, ESS program manager, British Airways

Bill Francis noted that the program resulted in “a major culture change” at BA with regard to staff self-service. Because ESS functions as a portal for employees on the BA intranet, he identified a need to develop compelling content to draw in users. Such content has led to 50 percent usage of the online system for staff travel and Safety Equipment and Procedures pre-course refresher training from home for crew, along with the ESS FAQ service becoming very popular.

Allen Huish summed up the importance of the metrics in achieving their success: “Making the targets specific, measurable, and achievable has allowed us to turn our vision into practical reality for our people. In measuring the things you want to change, you drive clear action and accountability. This has enabled us to make a significant contribution to the business plan.”

NEXT STEPS

In an ever-changing environment, British Airways Employee Self Service program is growing, and is driven to meet business challenges. The revolution is now part of the evolution.

MORE INFORMATION

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco Systems, helps Global Fortune 500 companies and public organizations transform the way they do business—first designing innovative business processes and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>



Corporate Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com

Tel: 408 526-4000
800 553-NETS (6387)
Fax: 408 526-4100

European Headquarters

Cisco Systems International BV
Haarlerbergpark
Haarlerbergweg 13-19
1101 CH Amsterdam
The Netherlands
www-europe.cisco.com

Tel: 31 0 20 357 1000
Fax: 31 0 20 357 1100

Americas Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com

Tel: 408 526-7660
Fax: 408 527-0883

Asia Pacific Headquarters

Cisco Systems, Inc.
168 Robinson Road
#28-01 Capital Tower
Singapore 068912
www.cisco.com

Tel: +65 6317 7777
Fax: +65 6317 7799

Cisco Systems has more than 200 offices in the following countries and regions. Addresses, phone numbers, and fax numbers are listed on the **Cisco Website at www.cisco.com/go/offices.**

Argentina · Australia · Austria · Belgium · Brazil · Bulgaria · Canada · Chile · China PRC · Colombia · Costa Rica · Croatia · Cyprus · Czech Republic · Denmark · Dubai, UAE
Finland · France · Germany · Greece · Hong Kong SAR · Hungary · India · Indonesia · Ireland · Israel · Italy · Japan · Korea · Luxembourg · Malaysia · Mexico
The Netherlands · New Zealand · Norway · Peru · Philippines · Poland · Portugal · Puerto Rico · Romania · Russia · Saudi Arabia · Scotland · Singapore · Slovakia
Slovenia · South Africa · Spain · Sweden · Switzerland · Taiwan · Thailand · Turkey · Ukraine · United Kingdom · United States · Venezuela · Vietnam · Zimbabwe

Copyright © 2006 Cisco Systems, Inc. All rights reserved. Cisco, Cisco Systems, and the Cisco Systems logo are registered trademarks or trademarks of Cisco Systems, Inc., and/or its affiliates in the United States and certain other countries.

All other trademarks mentioned in this document or Website are the property of their respective owners. The use of the word partner does not imply a partnership relationship between Cisco and any other company. This customer story is based on information provided by British Airways and describes how that particular organization benefits from the deployment of Cisco products and/or IBSG expertise. Many factors may have contributed to the results and benefits described; Cisco does not guarantee comparable results elsewhere.

C36-374268-00 10/06